GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:1417
ANSWERED ON:25.07.2017
Pull-out of BHEL from Joint Venture with EML
Senguttuvan Shri Balasubramaniam

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

(a) whether BHEL, which entered into a joint venture with Electrical Machines Ltd. (EML), a State-owned PSU in Kasargod, Kerala has plans of divesting its holding to the extent of 51% in EML and if so, the details thereof;
(b) whether the Maharatna PSU is unable to make a turnaround in the fortunes of EML and has been sustaining huge losses over the past five years; and
(c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI BABUL SUPRIYO)

(a): Yes, on 21st October 2016, Bharat Heavy Electricals Limited (BHEL) had made the offer to transfer 51% equity shares held by it to the Govt. of Kerala (GoK) i.e. the other partner in the Joint Venture Company (JVC) named "BHEL Electrical Machines Ltd." (BHEL-EML) - which is a separate Schedule "C" CPSE having manufacturing facilities/plant in Kasaragod (Kerala). This step was taken in the backdrop of recommendation of a NITI Aayog Committee that the Government of India's stake in BHEL-EML be handed over to the State Government, and in case the State Government refuses, a strategic sale of the Government of India's stake could be considered. Government of Kerala has been requested to take over BHEL's 51 % equity stake in BHEL-EML. BHEL-EML has informed that Government of Kerala has agreed in principle to take over it.

(b) & (c): BHEL-EML is a company registered under the Companies Act and is a separate legal entity. The Company is responsible for managing its affairs independently. The performance of BHEL-EML could not pick-up since its inception as the Company is operating in stiff competition with private players and is mainly in the field of manufacturing Railway equipment with low margin products. BHEL, as a partner in the JVC, provided financial assistance to BHEL-EML in the form of working capital loan viz. Rs. 1.7 Crore in 2011-12 which was repaid by BHEL-EML in 2012-13 along with interest, and Rs. 3 Crore in 2015-16 which is currently outstanding. Further, BHEL also provided technical and coordination support towards identification & development of new products to be taken up by BHEL-EML (e.g. different types of alternators, string monitoring unit etc.). However, these efforts could not progress in contributing to the business of BHEL-EML and it has been reporting losses since its incorporation (in January 2011).
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